

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE CASH MARKETS (1/8):****BUTTER:** Grade AA closed at \$1.4300 (N.C.).**CHEESE:** Barrels closed at \$1.5600 and blocks at \$1.6800. The weekly average for barrels is \$1.6615 (-.1377) and blocks is \$1.7675 (-.1325).**NONFAT DRY MILK:** Extra Grade closed at \$1.0700 and Grade A at \$1.1030. The weekly average for Extra Grade is \$1.0790 (-.0260) and Grade A is \$1.1030 (-.0495).**BUTTER:** Butter production across the United States has been very heavy over the past few weeks as manufacturing plants accepted additional surplus milk related to the year end holidays. Demand for cream has slowed sharply for cream based holiday items and most cream volumes are ending up in the butter churn. Butter stocks are reported to be more than adequate for generally slower retail and food service needs.**CHEESE:** The cheese market is weak. Cheese deliveries are irregular as some orders were made in late 1998 for shipment in 1999 while other buyers react to sharply lower cheese prices by delaying purchases. Truckers had problems making deliveries to some locations impacted by recent winter storms. Reduced packager and process usage, combined with increased cheese production at year-end, increased cheese volumes available for sale.**FLUID MILK:** Weather conditions are impacting milk production in widespread areas of the country. Rain in the Northwest, severe winter storms in the Midwest and Northwest are affecting milk output and more often milk procurement. Output is seasonally higher across the southernmost tier of states, most often attributed to mild temperatures. Some areas of the country were able to handle surplus milk volumes resulting from the holiday weekends, while other areas saw milk being discounted to move to manufacturing channels. Bottling activities renewed as schools came back into session and an influx of storm related panic buying created additional demand.**DRY PRODUCTS:** Weakness is present in most dry product markets. Nonfat dry milk prices are sharply lower in all regions. Drying schedules were higher to handle surplus milk over the year end. Offerings are available from most sources and demand has diminished. Buttermilk markets are weaker as buying interest has eroded. Producers have stocks and are open for bids. Whey and WPC prices are lower. Offerings are increasing, while demand is weakening. Discounting is more common as stocks build.**BASIC FORMULA PRICE (USDA, DAIRY PROGRAMS):** The basic formula price (BFP) for December 1998 is \$17.34 per cwt at 3.5% test. The BFP is 50 cents higher than last month and \$4.05 higher than December 1997.

The BFP is the base month M/W price of \$17.06 plus a change of \$.28, which is the change in the butter/powder/cheese formula from November to December. For December, the NASS average cheese price was \$1.8707. The butterfat differential is \$0.132. December Class III-A prices are: for Federal Orders 1 & 2, \$13.54; for Order 4, \$13.56; for Orders 124, 131, & 135, \$13.14; for other affected orders, \$13.48.

1999 SUPPORT PRICES (USDA, FSA): On January 4, 1999, the USDA announced that the support price for milk will be \$9.90 per hundredweight (cwt) during calendar year 1999, effective January 1, 1999. This is a reduction of \$0.15 per cwt from the current support level, and is required by the 1996 Farm Bill. This announced price is for milk with an annual average milkfat content of 3.67%. In order to carry out the new support level, USDA will decrease the price it pays for nonfat dry milk by 1.8 cents per pound to \$1.0100 and decrease the price for block cheddar and barrel cheese by 1.5 cents per pound to \$1.1000 and \$1.0700 per pound, respectively. The purchase price for butter will remain at \$0.6500 per pound. The support price adjusted to a milkfat content of 3.5% by use of the Federal Milk Marketing Order butterfat differential formula is \$9.80 per cwt. (See page 15)**NOVEMBER 1998 DAIRY PRODUCTS (NASS):** Butter production was 87.3 million pounds in November, 2.1% below November 1997 but 4.9% above October 1998. American type cheese production totaled 267.6 million pounds, 7.7% above November 1997 and 5.1% above October 1998. Total cheese output (excluding cottage cheese) was 632.4 million pounds, 6.4% above November 1997 and 1.8% above October 1998. Nonfat dry milk production, for human food, totaled 69.4 million pounds, 7.7% below November 1997 and 0.9% below October 1998. Dry whey production, for human food, was 83.1 million pounds, 0.9% above November 1997 and 0.7% above October 1998.**AGRICULTURAL PRICES (NASS):** The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 1998 was unchanged at 114. Compared with December 1997, the index was down 3 points (2.6%). The index of prices received by farmers for dairy products advanced 2 points during the month of December 1998 to 139. Compared with December 1997, the index was up 26 points (23.0%). On a 3.5% butterfat basis, prices received by farmers in December with changes from November were: for All Milk, \$17.70, up 32 cents; Fluid Grade Milk, \$17.80, up 42 cents; and for Manufacturing Grade Milk, \$16.72, up 22 cents.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-42,000 lbs.

PRODUCT	MONDAY JAN 4	TUESDAY JAN 5	WEDNESDAY JAN 6	THURSDAY JAN 7	FRIDAY JAN 8	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.7975 (N.C.)	\$1.7900 (-.0075)	\$1.6000 (-.1900)	\$1.5600 (-.0400)	\$1.5600 (N.C.)	-.2375	\$1.6615 (-.1377)
40# BLOCKS	\$1.9000 (N.C.)	\$1.8900 (-.0100)	\$1.6875 (-.2025)	\$1.6800 (-.0075)	\$1.6800 (N.C.)	-.2200	\$1.7675 (-.1325)
NONFAT DRY MILK							
EXTRA GRADE	\$1.1050 (N.C.)	\$1.0800 (-.0250)	\$1.0700 (-.0100)	\$1.0700 (N.C.)	\$1.0700 (N.C.)	-.0350	\$1.0790 (-.0260)
GRADE A	\$1.1525 (N.C.)	\$1.1525 (N.C.)	\$1.0700 (-.0825)	\$1.0700 (N.C.)	\$1.0700 (N.C.)	-.0825	\$1.1030 (-.0495)
BUTTER					\$1.4300 (N.C.)	-----	-----

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

Trading Activity - January 4 - 8, 1999

MONDAY, JANUARY 4, 1999

CHEESE -- SALES: 39 CARS 40# BLOCKS: 2 @ \$1.8950, 15 @ \$1.8975, 1 @ \$1.9000, 2 @ \$1.8975, 1 @ \$1.9000, 2 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 3 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 2 @ \$1.9000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 2 @ \$1.7975, 1 @ \$1.8000

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

TUESDAY, JANUARY 5, 1999

CHEESE -- SALES: 10 CARS 40# BLOCKS: 2 @ \$1.8950, 4 @ \$1.8975, 4 @ \$1.8950; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.7900, 1 @ \$1.7950, 1 @ \$1.7975; 24 CARS 40# BLOCKS: 1 @ \$1.8900, 5 @ \$1.8950, 5 @ \$1.8975, 13 @ \$1.9000

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS EXTRA GRADE @ \$1.0800

WEDNESDAY, JANUARY 6, 1999

CHEESE -- SALES: 7 CARS 40# BLOCKS: 5 @ \$1.7500, 2 @ \$1.6875; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.6000, 1 @ \$1.7700, 1 @ \$1.7900; 18 CARS 40# BLOCKS: 3 @ \$1.7000, 3 @ \$1.7200, 2 @ \$1.7500, 1 @ \$1.8225, 1 @ \$1.8250, 1 @ \$1.8275, 1 @ \$1.8350, 1 @ \$1.8425, 1 @ \$1.8500, 1 @ \$1.8825, 3 @ \$1.8900

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: 2 CARS GRADE A: 1 @ \$1.0600, 1 @ \$1.0325; OFFERS UNCOVERED: 2 CARS EXTRA GRADE @ \$1.0700; 2 CARS GRADE A @ \$1.0700

THURSDAY, JANUARY 7, 1999

CHEESE -- SALES: 14 CARS 40# BLOCKS: 12 @ \$1.6400, 1 @ \$1.6500, 1 @ \$1.6800; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.3500; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.5600, 1 @ \$1.6000; 4 CARS 40# BLOCKS @ \$1.6800

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: 1 CAR GRADE A @ \$1.0325; OFFERS UNCOVERED: NONE

FRIDAY, JANUARY 8, 1999

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.6400, 1 CAR 40# BLOCKS @ \$1.6800

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: 1 CAR GRADE A @ \$1.0325; OFFERS UNCOVERED: 2 CARS EXTRA GRADE @ \$1.0700

BUTTER -- SALES: 3 CARS: 1 @ \$1.3975, 1 @ \$1.4000, 1 @ \$1.4025; BIDS UNFILLED: 22 CARS: 1 @ \$1.4300, 1 @ \$1.4125, 1 @ \$1.4100, 1 @ \$1.4075, 1 @ \$1.4050, 10 @ \$1.3975, 1 @ \$1.2600, 2 @ \$1.2550, 1 @ \$1.2525, 1 @ \$1.2500, 1 @ \$1.2200, 1 @ \$1.2100; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NOVEMBER BUTTER PRODUCTION**

During November, butter production in the United States totaled 87.3 million pounds, 2.1% below November 1997 but 4.9% above October 1998. Production percentage changes from November 1997 for various states are: CA +21.0%, MN +42.5%, NY -20.3%, OR +26.0, PA -4.0%, WA -7.7%, and WI -2.8%.

NORTHEAST

Premium structures are unchanged. At the December 30 trading session of the CME butter closed four cents lower at \$1.4300. The market tone appears somewhat weaker as production has been very heavy during the past two weeks. Bulk and print offerings are more than adequate for the generally slower demand. Retailers are working off inventories taken on prior to the holidays before reordering. Also, the possibility of lower prices is further dampening demand. The volumes of cream have eased, but there is still plenty available to all users. Distributors are getting back to more normal patterns after two holiday-shortened work-weeks.

CENTRAL

Butter prices are weaker with pricing differentials unchanged to lower. During the past Christmas/New Year period, butter producers stated that additional cream offerings were heavy. In many instances, producers were selective in procuring the additional offerings. Butter producers report that they are still unsettled as to where butter prices will settle as the spring flush approaches and seasonally

heavy production typically occurs. Stocks are reported to be readily available for the sharply lower demand. Most handlers anticipate that upcoming orders will be minimal and for short term needs until the market settles into more of a stable basis.

WEST

Western butter pricing differentials moved lower this week. Butter production has been very heavy over the past two weeks as manufacturing plants accepted additional surplus milk related to the year end holidays. Sales activity just before the end of the year was much better than anticipated related to very low, end user inventories. Demand for bulk butter was better earlier in the week for fill in needs, but tapered off later in the week. Print orders are still rated as fair to good. Now, most plants have larger stocks on hand than they would like at this time of year. Western region butter production in November was down 13.7% from a year earlier. Demand for cream has slowed considerably and the only real market currently is for churning.

WHOLESALE SELLING DIFFERENTIALS, F.O.B. PRODUCING PLANTS, TRUCKLOAD QUANTITIES.

FIGURES REPRESENT THE RANGE IN PREMIUMS OR DISCOUNTS (CENTS/POUND) FROM THE CME GRADE AA CASH BUTTER CLOSE
DECEMBER 30, 1998 CLOSE = \$1.4300

STYLE	NORTHEAST	CENTRAL	WEST
BULK	+4 TO +5	flat TO +3	-5 TO -3

NASS DAIRY PRODUCT PRICES
U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 39% MOISTURE			
JANUARY 2	1.8745 5,620,972	1.8131 9,885,400	1.0738 8,346,462	1.4386 1,713,078	0.2326 4,867,833

Further data and revisions may be found on the Internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

NORTHEAST

CHEESE MARKETS

WEST

Prices are unchanged and the market tone is mixed. Heavier production and slower demand now that the holidays are past, lead many to think that prices will start to fall. Others think the cheese market will hold until after the Super Bowl and are ordering normally. Quite a bit of cheese (blocks) is trading at the CME (mostly on offers) which indicates, to most, that there could be price declines in the future. Production during the holiday period was heavy, but most producers resisted taking too much milk unless prices were well below class. Cheese stocks are adequate for current needs as many retailers and users work off pre-holiday inventories before resuming normal ordering. Contacts at all levels of the market are trying to keep inventories as current as possible. As colleges reopen and the pizza consumption rebounds plus NFL playoff parties, the demand for cheese is expected to hold or improve slightly. Distributors, after two abbreviated work weeks, are back on normal schedules.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.8975-2.3850
Cheddar Single Daisies	:	1.8700-2.3850
Cheddar 40# Block	:	2.0375-2.1850
Process 5# Loaf	:	1.9875-2.1400
Process 5# Sliced	:	2.0150-2.2000
Muenster	:	2.0775-2.3925
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market tone is weak. Both barrel and block prices have slipped from their late 1998 highs at the Chicago Mercantile Exchange. After recent limited operating schedules and deliveries during the year-end holiday period, shipments to many customers are generally improved. However, the weekend storm closed a number of retailers and food service outlets, reducing their orders. Some locations are still having difficulty in receiving and/or shipping product due to the storm. Recent price weakness has buyers taking a very cautious approach with inventories, preferring to keep light volumes in a weak market. Production schedules at most cheese plants were very heavy over the holiday and inventories increased accordingly. Some of this extra cheese produced is being cleared with sales at the Exchange.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.9700-2.2100
Brick And/Or Muenster 5#	:	2.1800-2.3675
Cheddar 40# Block	:	2.1150-2.1900
Monterey Jack 10#	:	2.1150-2.3700
Blue 5#	:	2.4950-2.7300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2200-2.2600
Grade A Swiss Cuts 6 - 9#	:	2.4900-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	JANUARY 4 - 8, 1999
BARRELS*	:	\$1.8000 - 1.8100 (NOMINAL)
	:	(-.0100)
40# BLOCKS	:	\$1.8500 - 1.9300 (NOMINAL)
	:	(-\$.0500) (-.0200)
() Change from previous week. * If steel, barrel returned.		

Western cheese prices held generally steady though some declined within the ranges. Some nervousness is noted in the market as contacts saw the much heavier offerings at the CME. Demand is generally good because most buyers are operating on minimal working inventories. They are not able to hold off very long in making purchases. In fact, some end of the year holiday and weather problems really created transportation concerns with some end users running short of product. The holiday Swiss season has been called very good. Mozzarella offerings are still on the short side even with the heavier production. November total cheese production in the U.S. reached 632.4 million pounds, up 6.4% from November 1997. Total cheese output for the first eleven months of the year stands at 6.81 billion pounds, up 1.7% from the same period in 1997. Output in selected Western States compared to last November is as follows: CA up 8.2%, ID up 7.4%, NM more than double, UT up 29.4%, and WA up 29.8%.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.9400-2.2075
Cheddar 40# Block	:	2.0000-2.1600
Cheddar 10# Cuts	:	2.1900-2.4200
Monterey Jack 10#	:	2.2100-2.3825
Grade A Swiss Cuts 6 - 9#	:	2.4200-2.5400

FOREIGN

Prices are unchanged and the market tone is steady to weaker. Typically, imported, table cheese demand slows after the holiday season. There continues to be decent interest for imported cheeses used in processing, but that may have peaked for the time being. The advent of the Euro is attracting a lot of interest. Many are unsure of its impact and are proceeding cautiously. Early reports note that the Euro is causing export refunds to decrease which tends to increase the cost of cheese in some countries.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

		NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
Roquefort	:	5.5000-6.8900	-0-
Blue	:	2.6400-3.1400	2.2325-2.8425
Gorgonzola	:	3.2400-5.9400	2.4900-2.9275
Parmesan (Italy)	:	TFEWR	3.6425-3.6825
Romano (Italy)	:	2.1000-2.9000	-0-
Provolone (Italy)	:	3.4400-5.5000	1.9050-2.4325
Romano (Cows Milk)	:	-0-	3.4100-5.7475
Sardo Romano (Argentina)	:	2.6500-3.2900	-0-
Reggianito (Argentina)	:	2.6500-3.2900	-0-
Jarlsberg-(Brand)	:	2.7400-3.1200	-0-
Swiss Cuts Switzerland	:	-0-	2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500	-0-
Swiss Cuts Austrian	:	2.2500-2.7500	-0-
Edam	:	:	:
2 Pound	:	TFEWR	-0-
4 Pound	:	2.1900-3.0900	-0-
Gouda, Large	:	2.3900-3.1500	-0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	-0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
01/04/99	7,411	106,940
01/01/99	7,259	105,977
CHANGE	152	963
% CHANGE	2	1

Based on the historical relationship of the preliminary U.S. Cold Storage report of Nov. 30 and the selected centers storage report, the expected U.S. holdings as of Jan. 1 are:

Butter	24 million pounds plus or minus 0.93 percent
Cheese	421 million pounds plus or minus 2.00 percent

FLUID MILK AND CREAM

E A S T

Following the announcement of the December BFP, Eastern Milk Market Administrators announced changes to their class prices. The December BFP is \$17.34, up \$.50 from November. In all Eastern orders the February Class I & II prices will be \$.50 higher than January. The December Class III prices are \$.50 above November in orders 1, 2, 4, and 36. The December Class III-A is \$13.54 in orders 1 & 2, \$13.56 in order 4, and \$13.48 in all other Eastern orders. The butterfat differential is \$0.132. Storms and winter weather were major topics of conversations this week. Parts of the Southeast and Middle Atlantic areas were hit with a second storm and icy conditions were common. In the Northeast, heavy snows followed by rain and ice were wide spread. Farm pick ups and product deliveries were interrupted. Milk supplies over the holidays were in much better balance than many had anticipated. Late last week, the storms caused a big wave of retail panic buying at the same time when school lunch pipelines were being refilled. This actually caused some milk shortages in scattered bottling facilities. Contacts at manufacturing plants reported a relatively easy weekend. In fact, instead of calling trying to sell milk, many actually were being called by buyers looking for more milk. Florida handlers didn't ship any milk out this week and were taking some extra milk from normal, nearby sources. It has been cold in the Southeast and milk output is steady to heavier. Milk production in other areas is steady to increasing, but with the storms interrupting farm pick up schedules, contacts are not real sure of volumes they are receiving. Most manufacturing plants are operating on reduced schedules. The condensed skim market is mixed. There were less distressed loads moved, but demand is very slow. With milk prices increasing, contract prices increased at the beginning of the month and users are resisting any additional purchases. In sharp contrast to several months ago, users are turning back to NDM as a less expensive source of solids. Prices for condensed skim are generally higher this week. The fluid cream market is mixed. Demand is improved somewhat as some ice cream plants reopen after a couple weeks off. Spot prices are often higher as less distressed cream was available. However, the butter price at the CME is lower which helped offset the higher multiples. Demand from bottlers, egg nog makers, and sour cream producers has slowed seasonally. Cream cheese output is about steady. Churning activity is moderate to heavy.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	- 1.5730 - 1.7875
Delivered Equivalent Atlanta	- 1.6588 - 1.8590 M 1.6874 - 1.7446
F.O.B. Producing Plants: Upper Midwest	- 1.5873 - 1.8876

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	- 1.1500 - 1.5800
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
DECEMBER 30 - JANUARY 6, 1999	12
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1998	2

DESTINATIONS: KENTUCKY 12

Class I demand is sharply improved from recent slow holiday sales, aided by the reopening of schools in the new year. Winter weather related difficulties (snow up to 20+ inches, sleet, and strong winds) stimulated extra retail milk purchases late last week and made transportation more difficult. Forecasts of additional snow have kept up consumer demand for staples like milk. Milk supplies went from being sharply discounted to stimulate manufacturing plant operator interest early this week to bottlers purchasing good volumes from manufacturers, mostly at a premium, to help meet fluid orders by midweek. Bottlers have been having difficulty in filling some orders and some deviations from planned bottling schedules has been necessary. In some cases the milk is/was available to ship while finding a truck to move the milk was not possible.

Manufacturing milk supplies were heavy during the holiday period as local (patron) milk intakes were bolstered with supplies backed up from bottlers both within and outside the region. Manufacturing plant capacity was tested at many locations. Holiday surplus milk prices, including some under \$11.00, were used to clear offerings. Cream demand is irregular, though improved after the weekend. Much colder temperatures (many well below 0) reduced anticipated milk receipts somewhat from the recent pattern of relatively steady increases at some plants. Some other plants thus far had noticed no change in the pattern. Depending on patron numbers, most operations see milk receipts well above year ago levels.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 29 - JAN 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 38.50	\$ 33.00- 38.00
REPLACEMENT HEIFER CALVES	\$185.00-220.00	\$120.00-175.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	DEC 29 - JAN 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 28.00- 38.25	\$ 32.00- 37.50

W E S T

The December 4a price (butter/powder) in California is \$13.52, down \$1.22 from November 1998 but 59 cents higher than last year. The 4b price (cheese) is a record high \$17.14, 33 cents higher than last month and \$4.59 more than last year. (The December BFP used in Federal Orders is a record high \$17.34, up 50 cents from November and \$4.05 higher than last year.) The February and March 1998 Class 1 prices in California range from \$19.78 in the north to \$20.05 in the south. The statewide average Class 1 price based on production is \$19.84. The average is 63 cents higher than the prior period and \$4.55 higher than the previous year. Heavy volumes of milk were noted in the Southwest over the end of the year holidays. The Friday holidays caused two long weekends in a row. This caused spiked fluid milk processing before both weekends and subsequently increased levels of surplus milk over the weekends. Plants were generally able to process the milk. Some milk did move north from New Mexico for processing. Other milk moved between plants. Milk production remains strong in California and Arizona and is above a year ago levels. Favorable weather and affordable feed are positive factors in making more milk. The record high milk prices provide additional incentives to increase output. Surplus milk offerings were very heavy over the last two holiday weeks in the Pacific Northwest. Milk was handled efficiently. Only minor price discounting occurred. Weather patterns are causing few problems at this time. Rain is common in the coastal areas, but not heavy enough to cause additional flooding. The Cascade snowpack is generally about 50% above normal. More snow is expected this weekend. Milk producers continue to complain about the quality on the hay that is being delivered. The problem exists for both producers that contracted their needs in the fall and those that are ordering on a spot basis. Producers feel that the problem will only worsen as the winter progresses. Most are able to get most of the potential out of their cows at this time by some creative ration balancing. If conditions worsen much more, they doubt whether this will be the case. Very little culling is taking place at this time because of the combination of low cull cow prices and high milk prices. Producers continue to search for replacement heifers without much success. Conditions are warm again in the northern Mountain States region. The early season snow has melted and frost is gone from much of the ground leading to more mud in feedlots. Producers are concerned about increasing somatic cell counts. The positive aspects of the warm weather are that feed and hay consumption are down. Plants in the region were hard pressed to process all the surplus milk offerings over the holiday period on a timely basis. Discounts never seen before (\$4-5 under Class) on milk from the Southwest were noted. Plant managers are wondering if this may only be a foretaste of the upcoming spring flush. Managers are, however, very pleased to see the very high fat and protein tests on incoming milk receipts. Local milk supplies are heavier than anticipated.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 01/07/99 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are sharply lower and the market tone is weak. The lower prices are generally caused by a combination of slow demand and meeting price competition from Western producers. Production levels and producer stocks are moderate to heavy. Production of human food, nonfat dry milk during November 1998 totaled 69.4 million pounds, down 7.7% from November 1997 and down 0.9% from October 1998. Month ending stocks, at 43.7 million pounds, are 56.5% below a year ago and 4.6% less than last month.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .10700 - .11525 MOSTLY: .10900 - .11200

DRY BUTTERMILK - CENTRAL

Prices are lower and the market tone is weak. Offerings are increasing and, even at discounted prices, demand is poor. Production levels are often heavy and representative of current churning activity. Dry buttermilk production during November 1998 totaled 3.7 million pounds, up 7.5% from November 1997 and 7.7% higher than October 1998. Month ending stocks, at 3.4 million pounds, are 4.5% more than a year ago and 20.4% more than last month.

BUTTERMILK: .8200 - .8850

DRY WHEY - CENTRAL

Prices are lower and the market tone is very weak. Production levels are moderate to heavy and producers are building stocks quicker than desired. Buyers and traders all report that producers are calling them regularly to offer powder at discounted prices. Demand is very slow. There were a few instances where buyers who used up their stocks are back in the market, but they are only buying on a hand-to-mouth basis. Production of human food, dry whey during November 1998 totaled 83.1 million pounds, 0.9% more than November 1997 and 0.7% more than October 1998. Month ending stocks, at 32.6 million pounds, are 21.2% above a year ago and 1.0% higher than a month ago.

NONHYGROSCOPIC: .2000 - .2375 MOSTLY: .2275 - .2325

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower and the market tone remains weak. Demand for most types of animal feed whey is sluggish. Lower prices are doing little to stimulate interest. During November, production of animal feed, dry whey totaled 7.1 million pounds, 101.6% more than last November and 0.6 more than October. Month-ending stocks were 4.5 million pounds, 89.7% more than a year ago but 8.1% less than last month. Reduced lactose and minerals animal feed, dry whey production during November totaled 2.5 million pounds, 5.8% more than last year but 9.8% below October 1998.

MILK REPLACER: .1800 - .2000
STANDARD: .1500 - .1800
ROLLER GROUND: .2500 - .2600
DE LACTOSE (Min. 20% protein): .3275 - .3575

LACTOSE - CENTRAL AND WEST

Prices are steady to lower and the market tone is mixed. Those producers with new contracts in place, and most first quarter and some annual contracts have been finalized, see the market as firm and well balanced. Those who rely more on the spot market have product to move. Spot, domestic demand ranges from slow to fair. Lactose production during November totaled 37.8 million pounds, up 23.6% from last year and 4.4% above October 1998. Month ending stocks, at 28.4 million pounds, are 46.4% higher than a year ago and 6.5% above last month. Production in selected states, with changes from 1997 are: Minnesota, 7.6 million pounds, -2.5%; and Wisconsin, 7.1 million pounds, -8.4%.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1400 - .2000 MOSTLY: .1600 - .1750

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are mostly lower and the market tone is weak. Offerings are increasing at more plants as production is often heavy. Spot demand is slow at best, but contracted volumes are clearing satisfactorily. Production of human food, WPC during November totaled 20.4 million pounds, up 11.2% from November 1997 but 3.4% below October 1998. Manufacturers' end-of-month stocks totaled 13.4 million pounds, 53.9% higher than November 1997 and 4.7% above October 1997.

EXTRA GRADE 34% PROTEIN: .5000 - .5725 MOSTLY: .5300 - .5525

NONFAT DRY MILK - WEST

Prices are lower for low/medium heat NDM and the market tone remains weak. Production tapered off this week as the surplus milk volumes of recent weeks declined, but levels are still higher than many had anticipated. Producer offerings are moderate to heavy. Buying interest is light and overall demand would be very limited at present if DEIP transactions were not happening. High heat prices are unchanged and remain nominal in light trading. Production was lighter over the holidays, which is typical as dryers push for throughput and do not want to slow the process down to make high heat. U.S. NDM production in November totaled 69.4 million pounds, down 7.7% from last year and 0.9% lower than last month. Cumulative production totals through November are 8.9% below the comparable 1997 period. Stocks at the end of November were reported at 43.7 million pounds, down 56.5% from last year and 4.6% less than last month. November production in California totaled 39.5 million pounds, down 10.4% from last year, and Washington output totaled 9.7 million pounds, down 0.9% from a year ago.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .10300 - .11000 MOSTLY: .10500 - .10800
HIGH HEAT: .11500 - .11700

DRY BUTTERMILK - WEST

Buttermilk prices are lower. The market tone is very weak. Demand is limited and sporadic. Buyers are cautious on making any purchase. Buttermilk is available from most sources in the region. Producers are open for bids. Stocks are moderate to heavy and growing at many facilities. U.S. buttermilk powder production in November totaled 3.7 million pounds, up 7.5% from last year and 7.7% higher than October. Stocks at the end of the month were reported at 3.4 million pounds, up 4.5% from a year earlier and 20.4% higher than October.

BUTTERMILK: .8200 - .8700 MOSTLY: .8200 - .8400

DRY WHEY - WEST

Both range and mostly prices moved from lower to sharply lower. Production is heavier at most cheese operations leading to more whey production. Stocks are now heavier than desired at most manufacturing plants. Buyers are only making purchases to cover immediate needs and nothing more. With prices moving lower, buyers are generally taking a wait and see attitude. November U.S. whey production for human food totals 83.1 million pounds, up 0.9% from last year. Stocks at the end of the month stand at 32.6 million pounds, up 21.2% from the same time in 1997.

NONHYGROSCOPIC: .2150 - .2450 MOSTLY: .2250 - .2350

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended January 1, on powder sales of 6,916,934 pounds f.o.b. California manufacturing plants was \$1.0822 per pound. This compares to 6,137,981 pounds at \$1.0917 for the previous week ending December 25, 1998. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are often lower as some DEIP sales have been made. For the time being, we are including a mostly price range on low/medium heat for the Northeast NDM. The market tone is weaker. However, Eastern producers are in a good supply/demand balance. The weakness comes from slow spot demand and meeting the lower prices being offered by Western producers. In the East, drying schedules were lighter than expected during the last week of 1998. Some plants tried to get caught up with back orders while others took the opportunity to make high heat powder. With the changing relationship between Class II and III-A milk (II is now much higher than III-A), solids users may switch back to using NDM. Production of human food, nonfat dry milk during November 1998 totaled 69.4 million pounds, down 7.7% from November 1997 and down 0.9% from October 1998. Month ending stocks, at 43.7 million pounds, are 56.5% below a year ago and 4.6% less than last month.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.0700 - 1.1800 MOSTLY: 1.1300 - 1.1400

HIGH HEAT: 1.1500 - 1.2000 MOSTLY: 1.1500 - 1.1600

DELVD SOUTHEAST:

ALL HEATS: 1.1000 - 1.1850

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices continue to decline and the market tone is weak. Producers and traders, alike, comment on how slow spot demand is for dry buttermilk. Production is moderate and producer stocks are building. Dry buttermilk production during November 1998 totaled 3.7 million pounds, up 7.5% from November 1997 and 7.7% higher than October 1998. Month ending stocks, at 3.4 million pounds, are 4.5% more than a year ago and 20.4% more than last month.

F.O.B. NORTHEAST: .8850 - .9500

DELVD SOUTHEAST: .8800 - .9200

DRY WHOLE MILK - NATIONAL

Prices are often higher and reflect the jump in December's Class III milk price. Production levels are steady and generally geared to meeting contractual commitments. Spot demand is slow to fair. Dry whole milk production during November 1998 totaled 12.1 million pounds, up 44.3% from November 1997 but 13.0% below October 1998. Month ending stocks, at 6.1 million pounds, are 53.0% above a year ago and 19.5% more than last month.

F.O.B. PRODUCING PLANT: 1.6525 - 1.8200

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH DECEMBER 31, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	65,584 MT (144,586,485 LBS)
CHANGE	--	324 MT (714,290 LBS)
WHOLE MILK POWDER	--	2,580 MT (5,687,868 LBS)
CHEESE	--	2,624 MT (5,784,870 LBS)
CHANGE	--	361 MT (795,861 LBS)
BUTTERFAT	--	0 MT
REALLOCATED NDM	--	25,357 MT (60,311,242 LBS)

Allocations for the DEIP year beginning July 1, 1998, are:
Nonfat dry milk - 84,212 MT; Whole Milk Powder - 5,003 MT;
Cheese - 3,350 MT; Butterfat - 29,854 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are often lower and the market tone is weak. Demand is sluggish at best and producers' stocks are accumulating. Traders and other buyers now report that producers are calling them trying to sell powder. Demand remains very slow. Some scattered improvement was noted by users who are replenishing depleted year end stocks. Production levels are mostly steady. Production of human food, dry whey during November 1998 totaled 83.1 million pounds, 0.9% more than November 1997 and 0.7% more than October 1998. Month ending stocks, at 32.6 million pounds, are 21.2% above a year ago and 1.0% higher than a month ago.

F.O.B. NORTHEAST: EXTRA GRADE .2000 - .2375

USPH GRADE A .2400 - .2525

DELVD SOUTHEAST: .2325 - .2625

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. There is little change in the animal feed, dry whey market. Demand is still slow and offerings are more than ample to meet current needs. Production of animal feed, dry whey during November totaled 7.1 million pounds, more than double a year ago and 0.6% more than October 1998.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices are mostly unchanged and the market tone is steady. Production levels are light to moderate. The record high milk prices are somewhat of a deterrent to building stocks, but there was a lot of holiday milk to be processed during the past two weeks. Demand is fairly good for early January. Canned evaporated milk production during November 1998 totaled 47.4 million pounds, 16.2% less than November 1997 but 8.2% more than October 1998. Month ending stocks, at 42.1 million pounds, are 45.7% more than a year ago but 15.8% below last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$23.62 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Prices and product availability are much the same as buyers enter a new quarter and calendar year. In most instances, buyers are stating that they do not foresee any problems with supplies at this time from sourcing countries, although many feel that the overall tone to the market remains weak. Imports of casein during 1998 were heavier than the previous year with domestic buyers anticipating 1999 imports to be equally as strong.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.9500 - 2.1000
ACID: 1.9000 - 2.0500

COFFEE, SUGAR, & COCOA EXCHANGE (A Subsidiary of the NEW YORK BOARD OF TRADE) AND CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume <u>1/</u>										
Month	12/22	12/23	12/24	12/25	12/28	12/29	12/30	12/31	01/01	01/04
CSCE/NYBT - BFP -- Dollars per cwt.										
DEC 98	17.18 (288) 0	17.17 (285) 3	17.17 (285) 0	NO TRADING	17.17 (285) 0	17.30 (285) 0	17.35 (285) 4	17.32 (285) 0	NO TRADING	17.32 (359) 41
JAN 99	15.70 (158) 18	15.77 (162) 5	15.78 (162) 3		15.80 (165) 6	16.00 (167) 7	16.20 (167) 1	16.30 (167) 1		16.43 (169) 3
FEB 99	13.45 (69) 0	13.53 (68) 13	13.53 (70) 0		13.55 (70) 1	13.65 (71) 4	13.80 (76) 5	13.90 (76) 0		14.05 (92) 16
MAR 99	12.66 (43) 2	12.77 (45) 7	12.77 (45) 0		12.78 (48) 3	12.78 (48) 0	12.83 (48) 1	12.85 (48) 0		12.90 (55) 8
APR 99	12.28 (119) 0	12.28 (119) 0	12.33 (120) 1		12.34 (120) 0	12.34 (121) 1	12.40 (124) 10	12.42 (129) 0		12.43 (126) 5
MAY 99	11.92 (37) 0	11.95 (37) 0	11.95 (40) 6		11.93 (40) 0	11.95 (41) 1	12.00 (46) 6	11.96 (52) 1		12.02 (51) 4
JUN 99	12.02 (28) 0	12.02 (28) 0	12.06 (28) 0		12.01 (28) 0	12.03 (30) 2	12.03 (31) 1	12.01 (32) 1		12.06 (34) 2
JUL 99	12.30 (5) 0	12.35 (6) 1	12.35 (6) 0		12.38 (6) 0	12.35 (8) 2	12.33 (8) 0	12.33 (9) 1		12.39 (9) 0
AUG 99	12.65 (9) 1	12.63 (9) 0	12.65 (9) 0		12.65 (9) 0	12.62 (10) 2	12.63 (11) 1	12.58 (11) 0		12.66 (11) 0
SEP 99	13.03 (19) 0	13.11 (21) 3	13.06 (21) 0		13.11 (22) 3	13.10 (22) 0	13.05 (22) 0	13.05 (22) 0		13.05 (22) 0
OCT 99	13.45 (23) 1	13.45 (23) 0	13.45 (23) 0		13.45 (23) 0	13.45 (24) 1	13.45 (25) 1	13.40 (26) 1		13.45 (27) 1

CME - BUTTER -- Cents per pound

FEB 99	147.50 (22) 0	147.50 (22) 0	NO TRADING	NO TRADING	152.00 (22) 0	152.00 (22) 0	147.975 (22) 0	145.00 (22) 0	NO TRADING	145.00 (22) 0
MAR 99	147.00 (16) 0	147.00 (16) 0			147.00 (16) 0	147.00 (16) 0	147.00 (16) 0	147.00 (16) 0		152.00 (18) 2
MAY 99	146.00 (1) 0	146.00 (1) 0			146.00 (1) 0	146.00 (1) 0	146.00 (1) 0	146.00 (1) 0		146.00 (1) 0

CME - BFP -- Dollars per cwt.

DEC 98	17.18 (913) 13	17.24 (911) 1	NO TRADING	NO TRADING	17.20 (911) 1	17.32 (888) 47	17.37 (886) 12	17.26 (878) 13	NO TRADING	17.32
JAN 99	15.77 (696) 40	15.80 (718) 21			15.83 (718) 21	16.04 (725) 88	16.25 (741) 54	16.33 (738) 46		16.45 (752) 65
FEB 99	13.47 (424) 8	13.53 (433) 16			13.56 (433) 16	13.68 (436) 30	13.89 (445) 18	13.85 (448) 24		14.09 (458) 30
MAR 99	12.68 (360) 10	12.77 (363) 5			12.74 (363) 5	12.76 (365) 6	12.94 (366) 5	12.84 (366) 7		12.98 (367) 15
APR 99	12.28 (305) 15	12.31 (323) 9			12.37 (323) 9	12.38 (330) 9	12.43 (331) 9	12.39 (331) 3		12.44 (328) 5
MAY 99	11.91 (234) 6	11.95 (236) 6			11.95 (236) 6	11.98 (239) 5	12.00 (241) 13	12.00 (241) 0		12.00 (245) 6
JUN 99	12.04 (194) 10	12.02 (193) 2			12.02 (193) 2	12.04 (198) 6	12.05 (198) 2	12.04 (198) 1		12.04 (202) 4
JUL 99	12.40 (148) 7	12.40 (159) 2			12.40 (159) 2	12.40 (160) 1	12.40 (160) 1	12.41 (163) 4		12.40 (166) 5
AUG 99	12.75 (118) 0	12.75 (120) 0			12.65 (120) 0	12.65 (122) 2	12.65 (122) 0	12.56 (123) 1		12.67 (124) 1
SEP 99	13.12 (91) 1	13.14 (94) 3			13.08 (94) 3	13.10 (98) 5	13.10 (99) 1	13.04 (100) 1		13.10 (102) 3
OCT 99	13.44 (160) 2	13.40 (168) 1			13.40 (168) 1	13.40 (169) 1	13.40 (169) 0	13.43 (177) 9		13.40 (178) 1

CME - CHEDDAR CHEESE -- Cents per pound

DEC 98	186.00 (7) 0	186.025 (7) 0	NO TRADING	NO TRADING	186.05 (7) 0	187.50 (7) 0	188.25		NO TRADING	
JAN 99	164.00 (1) 0	164.00 (1) 0			164.00 (1) 0	164.00 (1) 0	164.00 (1) 0	164.00 (1) 0		164.00 (1) 0

1/ At the CSCE/NYBT Open interest for NDM -- 44,000 pounds per contract, Cheddar Cheese -- 10,500 pounds per contract, Fluid Milk -- 50,000 pounds per contract, BFP -- 100,000 pounds per contract. At the CME Open interest for Cheddar Cheese -- 40,000 pounds per contract and BFP -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

NOTE: The CME started futures trading for dry whey and nonfat dry milk (NDM) on November 16, 1998. Up to this point, there have been no settling prices recorded for either product.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 28, 1998 - January 8, 1999

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Much of the conversation within Western Europe centers around the implementation of the Euro. Although financial transactions are occurring in Euros, many dairy traders continue to deal and think in present and continued older monetary systems. Traders report that it is still too early to respond to what impact the Euro will have on dairy products. Milk production in most areas of Western Europe is low, but indications of seasonal increases are starting to develop. Milk handlers report that they anticipate a strong upcoming milk production season. In light of this, milk handlers are preparing their plants for production of SMP earlier than usual. Powder produced after February 1 will be available for intervention offering later in the quarter. Producers and traders feel that intervention offerings will be heavy during the upcoming year. The overall tone to dairy markets is steady with one contact referring to current markets as undirected. Most sales activity is centering around domestic sales with international buyer interest slow.

BUTTER/BUTTEROIL: The overall tone to the butter market is steady to weak. As in other areas of the world, some milk is being diverted from butter/powder production toward cheese at this time. Stocks are reported to be readily available and with slow sales, heavier than desired by some producers and handlers. Russian buyer interest continues with some small lot sales occurring from Eastern Europe. Outside of this sales activity, most trading is occurring within local markets.

82% BUTTERFAT:	1,620 - 1,900
99% BUTTERFAT:	2,200 - 2,600

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to firm. Prices are unchanged to higher. Producers and handlers attribute the strength to potential intervention offerings March 1. Powder can be produced after February 1 and qualify for intervention offering within four weeks. Outside of future offerings to intervention, traders do not foresee much trading activity in the skim powder market. Some international buyer interest is surfacing for second quarter deliveries, but at this time, negotiations are still open.

1.25% BUTTERFAT:	1,350 - 1,475
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WHOLE MILK POWDER (WMP): Whole milk powder markets are unchanged. No new trading activity has developed following the year-end holiday period. Stock levels are reported to be at a comfortable level as most powder is generated once a sale has been negotiated. In most instances, even though milk production is seasonally low, full cream powder producers feel that they would have no problem in securing sufficient milk volumes to meet potential sales.

26% BUTTERFAT:	1,500 - 1,750
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SWEET WHEY POWDER: International whey markets are generally quiet with most trading activity occurring within domestic markets. Prices and the market tone are steady, although a weak tone prevails. Stock levels are reported to be available for potential international sales. Cheese production is somewhat heavier as year-end milk supplies are being diverted toward cheese thus generating additional whey volumes.

NONHYGROSCOPIC:	600 - 640
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OVERVIEW: EASTERN EUROPE: Winter weather conditions prevail over most areas of Eastern Europe. Milk production is reported to be at seasonally low levels, although producers are looking toward the start of the upcoming milk season. Outside of some small volume shipments to Russia, trading activity out of Eastern Europe is slow. Stock levels are reported to be in balance for current and projected needs prior to the start of the new production season.

OCEANIA

OVERVIEW: Milk production in the Oceania region continues the trends of the past month. Overall output is declining seasonally, but remains fully sufficient to maintain quite active manufacturing schedules. Cumulative milk output in New Zealand is running with or slightly lower than last year at this time, while the Australian production season is running between 4 - 5% above a year ago. Stocks of manufactured dairy products are reported to be in a comfortable position with butter being the heaviest. International trading activity remains light and unaggressive. The introduction of the Euro by the 11 participating countries in Europe is being closely monitored by dairy traders throughout the world. At this point, minimal impact is occurring, but it is still very early in the implementation stages of the monetary system.

BUTTER: Butter markets are generally steady, although lack of sales activity is putting pressure on prices. In past years by this time, sales have been booked for first quarter deliveries that would allow Oceania traders some breathing room as late season production continues. This year, the lack of sizable ongoing orders is causing inventory levels to be heavier than desired.

82% BUTTERFAT:	1,600 - 1,700
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CHEDDAR CHEESE: Cheese markets remain much the same as past weeks, with prices steady to lower. Cheese stocks are fully sufficient for current needs. In instances, late season milk volumes are being directed toward cheese versus butter/powder which will further enhance inventories. Sales activity is much the same as last quarter with most shipments occurring for contractual business.

39% MAXIMUM MOISTURE:	1,800 - 1,900
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SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady at unchanged prices. Inventory levels of powder are reported to be in a comfortable position, although producers are monitoring stock levels in relation to late season milk production. If producers have the option, some are shifting milk volumes away from butter/powder toward cheese. Sales activity is reported to be slow with shipments centering around ongoing sales versus new sales.

1.25% BUTTERFAT:	1,300 - 1,400
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady although prices firmed slightly. Stock levels are reported to be readily available for current light buyer interest. Current sales activity continues to center around ongoing contractual sales versus new buyer interest. Traders look at first quarter sales to be much the same as the fourth quarter of 1998 and do not foresee any sizable buyer interest at this time.

26% BUTTERFAT:	1,625 - 1,675
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Exchange rates for selected foreign currencies: January 4, 1999

.5365 Dutch Guilder	.6045 German Mark
.1802 French Franc	.5360 New Zealand Dollar
.1019 Mexican Peso	.6385 Australian Dollar
1.6575 British Pound	.0090 Japanese Yen
.2901 Polish Zloty	1.1827 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1019) = 9.8135. That is 1 US Dollar equals 9.8135 Mexican Pesos.

Source: "Wall Street Journal"

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 1998 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 48 DEC 01 - 04	REPORT NUMBER 49 DEC 07 - 11	REPORT NUMBER 50 DEC 14 - 18	REPORT NUMBER 51 DEC 21 - 25	REPORT NUMBER 52 DEC 28 - 31	1998 Average or Total	1997 Average or Total
BUTTER							
CHICAGO MERCANTILE EXCHANGE 2/ - CASH TRADING							
-- Grade AA	1.4175	1.3950	1.4700	1.4700	1.4300	1.4131	1.3021
WHOLESALE SELLING DIFFERENTIALS, F.O.B. - BULK - TRUCKLOAD QUANTITIES *							
-- Grade AA							
Northeast	-4.00 +5.00	-4.00 +5.00	-4.00 +5.00	+4.00 +5.00	+4.00 +5.00	N.A.	N.A.
Central	0.00 +3.00	0.00 +3.00	0.00 +3.00	0.00 +3.00	0.00 +3.00	N.A.	N.A.
West	-7.00 - 0.00	-5.00 - 0.00	-3.00 +2.00	-3.00 - 0.00	-3.00 - 0.00	N.A.	N.A.
CHEESE							
MIDWEST COMMODITY CHeddar							
-- Cheddar Barrels	1.8425 - 1.8625	1.8550 - 1.8750	1.8600 - 1.8800	1.8500 - 1.8700	1.8000 - 1.8200	1.8530	TFEWR
-- Cheddar 40# Blocks	1.8950 - 1.9250	1.9050 - 1.9350	1.9300 - 1.9500	1.9000 - 1.9500	1.9000 - 1.9500	1.9245	TFEWR
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	2.0125 - 2.1800	2.0250 - 2.1800	2.0300 - 2.2100	2.0200 - 2.2100	1.9700 - 2.2100	2.1053	1.5733
-- Brick And/Or Muenster 5#	2.1400 - 2.3475	2.1400 - 2.3575	2.1800 - 2.3675	2.1800 - 2.3675	2.1800 - 2.3675	2.2626	1.7961
-- Cheddar 40# Block	2.1150 - 2.1600	2.1150 - 2.1800	2.1150 - 2.1900	2.1150 - 2.1900	2.1150 - 2.1900	2.1486	1.7994
-- Monterey Jack 10#	2.1150 - 2.3300	2.1150 - 2.3400	2.1150 - 2.3700	2.1150 - 2.3700	2.1150 - 2.3700	2.2355	1.8985
-- Blue 5#	2.4825 - 2.7000	2.4950 - 2.7000	2.4950 - 2.7300	2.4950 - 2.7300	2.4950 - 2.7300	2.6052	2.1386
-- Mozzarella 5 - 6#	2.2125 - 2.2200	2.2200 - 2.2225	2.2200 - 2.2600	2.2200 - 2.2600	2.2200 - 2.2600	2.2314	1.8480
-- Grade A Swiss Cuts 6 - 9#	2.4900 - 2.6850	2.4900 - 2.6850	2.4900 - 2.6850	2.4900 - 2.6850	2.4900 - 2.6850	2.5875	2.3825
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 10# Prints	1.8750 - 2.3625	1.8850 - 2.3725	1.8950 - 2.3825	1.8975 - 2.3850	1.8975 - 2.3850	2.1338	1.6756
-- Cheddar Single Daisies	1.8475 - 2.3625	1.8575 - 2.3725	1.8675 - 2.3825	1.8700 - 2.3850	1.8700 - 2.3850	2.1200	1.6631
-- Cheddar 40# Block	2.0150 - 2.1625	2.0250 - 2.1725	2.0350 - 2.1825	2.0375 - 2.1850	2.0375 - 2.1850	2.1038	1.6513
-- Process 5# Loaf	2.0300 - 2.1825	2.0425 - 2.1950	2.0475 - 2.2000	2.0375 - 2.1900	1.9875 - 2.1400	2.1067	1.5570
-- Process 5# Sliced	2.0575 - 2.2425	2.0700 - 2.2550	2.0750 - 2.2600	2.0650 - 2.2500	2.0150 - 2.2000	2.1505	1.5958
-- Muenster	2.0550 - 2.3700	2.0650 - 2.3800	2.0750 - 2.3900	2.0775 - 2.3925	2.0775 - 2.3925	2.2275	1.8031
-- Grade A Swiss Cuts 10 - 14#	2.3500 - 2.5500	2.3500 - 2.5500	2.3500 - 2.5500	2.3500 - 2.5500	2.3500 - 2.5500	2.4500	2.3775
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	1.9900 - 2.2500	1.9900 - 2.2625	2.0000 - 2.2675	1.9900 - 2.2575	1.9400 - 2.2075	2.1168	1.5995
-- Cheddar 40# Block	1.9900 - 2.1375	1.9900 - 2.1475	2.0000 - 2.1575	2.0000 - 2.1600	2.0000 - 2.1600	2.0742	1.6731
-- Cheddar 10# Cuts	2.1800 - 2.3975	2.1800 - 2.4075	2.1900 - 2.4175	2.1900 - 2.4200	2.1900 - 2.4200	2.2992	1.8531
-- Monterey Jack 10#	2.2000 - 2.3600	2.2000 - 2.3700	2.2100 - 2.3800	2.2100 - 2.3825	2.2100 - 2.3825	2.2905	1.8169
-- Grade A Swiss Cuts 6 - 9#	2.4200 - 2.5400	2.4200 - 2.5400	2.4200 - 2.5400	2.4200 - 2.5400	2.4200 - 2.5400	2.4800	2.4488
FLUID AND DRY PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
Delivered Equivalent:							
-- Northeast	1.3393 - 1.6071	1.6668 - 1.8928	1.6740 - 1.8972	1.5876 - 1.9551	1.4700 - 1.8375	1.7009	1.6746
-- Atlanta	1.4366 - 1.6835	1.6950 - 1.9568	1.7019 - 1.9333	1.6905 - 2.0345	1.6611 - 2.0345	1.7863	1.7576
-- Upper Midwest	1.4001 - 1.6436	1.6244 - 1.9069	1.6740 - 1.8833	1.6170 - 1.9404	1.6170 - 1.9404	1.7290	1.6885
SPOT PRICES OF CONDENSED SKIM (\$ per lb. wet solids)							
Delivered Equivalent:							
-- Northeast	1.0700 - 1.4800	1.1600 - 1.5000	1.2000 - 1.5500	1.2000 - 1.5500	1.0800 - 1.5500	1.3357	1.0614
WISCONSIN FLUID MILK SHIPMENTS							
-- Loads Shipped from Wisconsin							
Shipping Points	0	17	14	6	0	37	0
NATIONAL EVAPORATED MILK (\$ per Case)							
(Case - 48 - 12 fluid oz cans)							
-- Delivered Major U.S. Cities	23.6200 -33.0000	23.6200 -33.0000	23.6200 -33.0000	23.6200 -33.0000	23.6200 -33.0000	28.3100	27.7500

* Following report number 23, Dairy Market News discontinued print butter price reporting. Therefore, no monthly averages were computed

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 1998 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 48	REPORT NUMBER 49	REPORT NUMBER 50	REPORT NUMBER 51	REPORT NUMBER 52	1998	1997
	DEC 01 - 04	DEC 07 - 11	DEC 14 - 18	DEC 21 - 25	DEC 28 - 31	Average	Average
						or Total	or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central (f.o.b.)							
-- Low/Medium Heat	:: 1.1300 - 1.1650	:: 1.1300 - 1.1650	:: 1.1350 - 1.1675	:: 1.1350 - 1.1675	:: 1.1350 - 1.1600	:: 1.1490	: N.A.
-- Mostly	:: 1.1300 - 1.1400	:: 1.1300 - 1.1400	:: 1.1350 - 1.1400	:: 1.1350 - 1.1400	:: 1.1350 - 1.1400	:: 1.1365	: N.A.
-- West (f.o.b.)							
-- Low/Medium Heat	:: 1.0600 - 1.1600	:: 1.0600 - 1.1600	:: 1.0600 - 1.1600	:: 1.0300 - 1.1400	:: 1.0300 - 1.1400	:: 1.1009	: 1.0436
-- Mostly	:: 1.1100 - 1.1300	:: 1.1100 - 1.1300	:: 1.1100 - 1.1300	:: 1.1100 - 1.1300	:: 1.0850 - 1.1100	:: 1.1159	: 1.0373
-- High Heat	:: 1.1300 - 1.1750	:: 1.1300 - 1.1750	:: 1.1500 - 1.1700	:: 1.1500 - 1.1700	:: 1.1500 - 1.1700	:: 1.1569	: 1.0695
-- Northeast (f.o.b.)							
-- Low/Medium Heat	:: 1.1200 - 1.1900	:: 1.1350 - 1.1900	:: 1.1400 - 1.1900	:: 1.1400 - 1.1900	:: 1.1400 - 1.1900	:: 1.1626	: N.A.
-- High Heat	:: 1.1400 - 1.2000	:: 1.1600 - 1.2000	:: 1.1600 - 1.2000	:: 1.1600 - 1.2000	:: 1.1600 - 1.2000	:: 1.1782	: N.A.
-- Mostly	:: 1.1400 - 1.1600	:: 1.1600 - 1.1700	:: 1.1600 - 1.1700	:: 1.1600 - 1.1700	:: 1.1600 - 1.1700	:: 1.1623	: N.A.
-- Southeast (Delvd)							
-- Extra & Grade A	:: 1.1500 - 1.2000	:: 1.1500 - 1.2000	:: 1.1600 - 1.2000	:: 1.1600 - 1.2000	:: 1.1300 - 1.2000	:: 1.1752	: 1.0752
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.2425 - 0.2575	:: 0.2425 - 0.2575	:: 0.2400 - 0.2575	:: 0.2350 - 0.2550	:: 0.2150 - 0.2450	:: 0.2452	: 0.3324
-- Mostly	:: 0.2450 - 0.2500	:: 0.2450 - 0.2500	:: 0.2425 - 0.2475	:: 0.2400 - 0.2450	:: 0.2350 - 0.2400	:: 0.2442	: 0.3305
-- West (f.o.b.)	:: 0.2300 - 0.2750	:: 0.2300 - 0.2750	:: 0.2300 - 0.2750	:: 0.2300 - 0.2600	:: 0.2275 - 0.2500	:: 0.2486	: 0.2882
-- Mostly	:: 0.2400 - 0.2425	:: 0.2400 - 0.2425	:: 0.2375 - 0.2425	:: 0.2350 - 0.2400	:: 0.2325 - 0.2375	:: 0.2391	: 0.2900
-- Northeast Extra Grade (f.o.b.)	:: 0.2475 - 0.2525	:: 0.2475 - 0.2525	:: 0.2475 - 0.2525	:: 0.2350 - 0.2500	:: 0.2350 - 0.2475	:: 0.2470	: 0.3265
-- Northeast Usph Grade A(f.o.b.)	:: 0.2500 - 0.2625	:: 0.2500 - 0.2625	:: 0.2500 - 0.2600	:: 0.2500 - 0.2600	:: 0.2500 - 0.2550	:: 0.2551	: 0.3547
-- Southeast Extra Grade (Delvd)	:: 0.2650 - 0.2825	:: 0.2650 - 0.2825	:: 0.2650 - 0.2825	:: 0.2650 - 0.2800	:: 0.2500 - 0.2725	:: 0.2713	: 0.3515
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.5400 - 0.6225	:: 0.5300 - 0.6225	:: 0.5050 - 0.6000	:: 0.5050 - 0.6000	:: 0.5000 - 0.5850	:: 0.5613	: 0.6005
-- Mostly	:: 0.5900 - 0.6000	:: 0.5750 - 0.5950	:: 0.5500 - 0.5850	:: 0.5400 - 0.5800	:: 0.5350 - 0.5700	:: 0.5724	: 0.6072
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.1800 - 0.2100	:: 0.1800 - 0.2100	:: 0.1800 - 0.2100	:: 0.1800 - 0.2100	:: 0.1800 - 0.2100	:: 0.1950	: 0.3035
-- Standard	:: 0.1600 - 0.1800	:: 0.1600 - 0.1800	:: 0.1500 - 0.1800	:: 0.1500 - 0.1800	:: 0.1500 - 0.1800	:: 0.1670	: 0.2936
-- Roller Ground	:: 0.2500 - 0.2625	:: 0.2500 - 0.2625	:: 0.2500 - 0.2625	:: 0.2500 - 0.2625	:: 0.2500 - 0.2625	:: 0.2563	: 0.3245
-- Delactose	:: 0.3275 - 0.3575	:: 0.3275 - 0.3575	:: 0.3275 - 0.3575	:: 0.3275 - 0.3575	:: 0.3275 - 0.3575	:: 0.3425	: 0.3527
-- Northeast (f.o.b.)							
-- Milk Replacer	::	TFEWR	::	TFEWR	::	TFEWR	::
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 0.9300 - 1.0100	:: 0.9300 - 1.0100	:: 0.9000 - 0.9800	:: 0.8900 - 0.9400	:: 0.8500 - 0.9200	:: 0.9377	: 0.9599
-- West (f.o.b.)	:: 0.9200 - 1.0100	:: 0.9000 - 0.9700	:: 0.8800 - 0.9300	:: 0.8800 - 0.9300	:: 0.8600 - 0.9000	:: 0.9182	: 0.9050
-- Mostly	:: 0.9500 - 0.9700	:: 0.9200 - 0.9300	:: 0.9000 - 0.9100	:: 0.8800 - 0.9000	:: 0.8600 - 0.8800	:: 0.9105	: 0.9098
-- Northeast (f.o.b.)	:: 0.9800 - 0.9900	:: 0.9500 - 0.9900	:: 0.9500 - 0.9900	:: 0.9000 - 0.9700	:: 0.9000 - 0.9700	:: 0.9600	: 0.9766
-- Southeast (Delvd)	:: 0.9900 - 1.0500	:: 0.9600 - 1.0400	:: 0.9600 - 1.0150	:: 0.9300 - 0.9750	:: 0.9200 - 0.9550	:: 0.9808	: 0.9755
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.5800 - 1.7000	:: 1.5900 - 1.7775	:: 1.5900 - 1.7775	:: 1.5900 - 1.7775	:: 1.5900 - 1.7775	:: 1.6758	: 1.3784
LACTOSE							
-- Central And West (f.o.b.)	:: 0.1400 - 0.2350	:: 0.1400 - 0.2350	:: 0.1400 - 0.2200	:: 0.1400 - 0.2200	:: 0.1400 - 0.2200	:: 0.1831	: 0.2200
-- Mostly	:: 0.1700 - 0.1800	:: 0.1700 - 0.1800	:: 0.1600 - 0.1750	:: 0.1600 - 0.1750	:: 0.1600 - 0.1750	:: 0.1706	: 0.2127
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 1.9500 - 2.1000	:: 1.9500 - 2.1000	:: 1.9500 - 2.1000	:: 1.9500 - 2.1000	:: 1.9500 - 2.1000	:: 2.0250	: 2.2100
-- Nonrestricted - Acid	:: 1.9000 - 2.0500	:: 1.9000 - 2.0500	:: 1.9000 - 2.0500	:: 1.9000 - 2.0500	:: 1.9000 - 2.0500	:: 1.9750	: 2.0500

1/ Prices for all products not footnoted 2/ are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing. 2/ The monthly averages are based on the exchange trading date prices and are time-weighted for each day, starting with the exchange trading date, until the next exchange trading date - Saturdays, Sundays, and National Holidays are included.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR DECEMBER 1998

COMMODITY	REPORT NUMBER 48	REPORT NUMBER 49	REPORT NUMBER 50	REPORT NUMBER 51	REPORT NUMBER 52	1998 * Monthly Average	1997 * Monthly Average
	DEC 01 - 04	DEC 07 - 11	DEC 14 - 18	DEC 21 - 23	DEC 28 - 30		
CHEESE*							
-- BARRELS							
--Monday		1.8600	1.8600	1.8000	1.8000		
--Tuesday	1.8550	1.8600	1.8600	1.8000	1.8000		
--Wednesday	1.8550	1.8600	1.8600	1.8000	1.7975		
--Thursday	1.8575	1.8600	1.8600	#	#		
--Friday	1.8600	1.8600	1.8150	#	#	1.8390	1.2809
--Weekly Average**	1.8545	1.8600	1.8510	1.8000	1.7992		
-- 40# BLOCKS							
--Monday		1.8950	1.9000	1.9000	1.9000		
--Tuesday	1.8850	1.8950	1.9000	1.9000	1.9000		
--Wednesday	1.8875	1.9000	1.9000	1.9000	1.9000		
--Thursday	1.8900	1.9000	1.9000	#	#		
--Friday	1.8900	1.9000	1.9000	#	#	1.8971	1.4335
--Weekly Average**	1.8870	1.8980	1.9000	1.9000	1.9000		
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday		1.1550	1.1525	1.1525	1.1050		
--Tuesday	1.1550	1.1550	1.1525	1.1100	1.1050		
--Wednesday	1.1550	1.1550	1.1525	1.1050	1.1050		
--Thursday	1.1550	1.1550	1.1525	#	#		
--Friday	1.1550	1.1550	1.1525	#	#	1.1420	N.A.
--Weekly Average**	1.1550	1.1550	1.1525	1.1225	1.1050		
-- GRADE A							
--Monday		1.1625	1.1525	1.1525	1.1525		
--Tuesday	1.1675	1.1600	1.1525	1.1525	1.1525		
--Wednesday	1.1675	1.1600	1.1525	1.1525	1.1525		
--Thursday	1.1650	1.1575	1.1525	#	#		
--Friday	1.1650	1.1550	1.1525	#	#	1.1569	N.A.
--Weekly Average**	1.1665	1.1590	1.1525	1.1525	1.1525		

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

CME cash dairy markets closed.

DECEMBER 1998 DEIP BID ACCEPTANCE

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
NONFAT DRY MILK				
NOVEMBER 1998		54,532		
12/01	CARIBBEAN, CENT & S. AM	400	JAN-JUN	\$1,055
12/02	CARIBBEAN, CENT & S. AM	175	DEC-AUG	\$1,050
12/03	CARIBBEAN, CENT & S. AM	221	DEC-JAN	\$1,050
12/03	AFRICA & MIDDLE EAST	750	MAR-APR	\$1,065
12/04	AFRICA & MIDDLE EAST	660	JAN-AUG	\$1,065
12/07	CARIBBEAN, CENT & S. AM	576	DEC-AUG	\$1,043.65
12/08	CARIBBEAN, CENT & S. AM	240	DEC-JAN	\$1,040
12/08	AFRICA & MIDDLE EAST	123	FEB-JUL	\$1,065
12/09	CARIBBEAN, CENT & S. AM	170	DEC-JAN	\$1,040
12/10	AFRICA & MIDDLE EAST	400	DEC-AUG	\$1,050
12/11	CARIBBEAN, CENT & S. AM	250	DEC-JUN	\$1,030.40
12/11	ASIA & FSU	2,000	FEB-JUN	\$1,010
12/14	ASIA & FSU	824	FEB-AUG	\$1,000
12/16	CARIBBEAN, CENT & S. AM	518	JAN-AUG	\$1,019.66
12/17	CARIBBEAN, CENT & S. AM	1,070	JAN-AUG	\$981.96
12/18	CARIBBEAN, CENT & S. AM	488	DEC-AUG	\$1,010
12/18	AFRICA & MIDDLE EAST	228	JAN-FEB	\$1,030
12/21	ASIA & FSU	300	FEB-JUN	\$1,000
12/22	CARIBBEAN, CENT & S. AM	300	JAN-AUG	\$1,010
12/24	CARIBBEAN, CENT & S. AM	35	DEC-JAN	\$1,000
12/24	ASIA & FSU	1,000	APR-AUG	\$1,000
12/30	CARIBBEAN, CENT & S. AM	324	JAN-AUG	\$1,010
DECEMBER 1 - 31, 1998		<u>11,052</u>		
PROGRAM TO DATE		65,584		
REALLOCATED	CARIBBEAN & MEXICO	1,000	JAN-FEB	\$1,000
REALLOCATED	CARIBBEAN & MEXICO	4,000	FEB-MAR	\$1,028.50
REALLOCATED	CARIBBEAN & MEXICO	1,000	DEC-FEB	\$1,000
WHOLE MILK POWDER				
NOVEMBER 1998		2,080		
12/07	CARIBBEAN, CENT & S. AM	200	DEC-AUG	\$1,325
12/08	CARIBBEAN, CENT & S. AM	300	DEC-AUG	\$1,325
DECEMBER 1 - 31, 1998		<u>500</u>		
PROGRAM TO DATE		2,580		
CHEESE				
NOVEMBER 1998		1,959		
12/08-P	CARIBBEAN, CENT & S. AM	5	DEC-FEB	\$1,446
12/09-P	AFRICA & MIDDLE EAST	22	DEC-MAY	\$1,525
12/11-M	AFRICA & MIDDLE EAST	44	DEC-MAY	\$1,525
12/15-M	AFRICA & MIDDLE EAST	22	DEC-MAY	\$1,525
12/16-P	CARIBBEAN, CENT & S. AM	38	DEC-JUN	\$1,525
12/21-P	AFRICA & MIDDLE EAST	21	JAN-JUL	\$1,525
12/22-P	CARIBBEAN, CENT & S. AM	152	DEC-JUN	\$1,525
12/29-P	CARIBBEAN, CENT & S. AM	285	DEC-JUN	\$1,525
12/30-P	CARIBBEAN, CENT & S. AM	76	DEC-AUG	\$1,525
DECEMBER 1 - 31, 1998		<u>665</u>		
PROGRAM TO DATE		2,624		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ - MONTEREY JACK				
BUTTEROIL/ANHYDROUS MILKFAT				
NOVEMBER 1998		0		
DECEMBER 1 - 31, 1998		<u>0</u>		
PROGRAM TO DATE		0		
TOTAL MT				PROGRAM-TO-DATE
TOTAL BONUS VALUE				70,788
				\$89,272.000

Exporters of U.S. milk powder, butterfat and cheddar cheese are aided under the Dairy Export Incentive Program (DEIP), created by Food Security Act of 1985 and extended by the Food, Agriculture, Conservation, and Trade Act of 1990. Export sales are facilitated through payment of bonuses by the U.S. Department of Agriculture's Commodity Credit Corporation. Sales of dairy products will be made through normal commercial channels at competitive world prices. For further information call L.T. McElvain (202) 720-6211. Conversion: 1 metric ton (MT) = 2,204.6 pounds.

SOURCE: FOREIGN AGRICULTURAL SERVICE

DECEMBER AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 1998 was unchanged at 114. Compared with December 1997, the index was down 3 points (2.6 percent). The index of prices received by farmers for dairy products advanced 2 points during the month of December 1998 to 139. Compared with December 1997, the index was up 26 points (23.0 percent).

On a 3.5 percent butterfat basis, prices received by farmers in December with changes from November were: for All Milk, \$17.70 per hundredweight (cwt.), up 32 cents; Fluid Grade Milk, \$17.80 per cwt., up 42 cents; and for Manufacturing Grade Milk, \$16.72 per cwt., up 22 cents.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., DECEMBER 1998 WITH COMPARISONS

STATE	All-milk price <u>1/</u> <u>3/</u>				Milk cows <u>5/</u>		Cows <u>6/</u>		All hay baled <u>7/</u>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	NOVEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER	
	1998 <u>2/</u>	1997 <u>2/</u>	1998 <u>4/</u>	1997 <u>2/</u>	1998	1997	1998 <u>7/</u>	1997 <u>8/</u>	1998	1997
CA	17.36	13.24	17.10	13.54	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		29.50	31.50	94.00	118.00
ID	17.46	13.13	17.76	13.17			28.70	29.60	78.00	105.00
MI	17.01	14.37	17.86	14.35			29.50	32.60	86.00	104.00
MN	17.94	14.17	18.34	14.51			31.00	32.50	66.00	90.00
NY	17.08	14.40	17.80	14.46			---	---	102.00	95.00
OH	16.72	14.20	17.77	14.26			30.00	30.10	99.00	140.00
PA	17.45	15.10	18.70	15.26			32.00	32.00	116.00	143.00
TX	17.63	14.93	17.66	15.13			28.10	32.10	81.00	67.00
WA	16.84	14.18	16.99	13.97			---	---	94.00	117.00
WI	17.81	14.23	18.04	14.46			29.80	33.70	82.00	97.00
U.S.	17.38	14.20	17.70	14.41			29.70	33.00	78.40	95.20

1/ Prices converted to 3.5 percent butterfat. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND PARITY PRICE RELATIONSHIPS AND OTHER GENERAL PRICE MEASURES, U.S., DECEMBER 1998 WITH COMPARISONS 1/

ITEM	DECEMBER 1997	NOVEMBER 1998 <u>2/</u>	DECEMBER 1998 <u>3/</u>
PRICES (converted to 3.5 percent butterfat) received by farmers for:			
All milk Dol. per cwt.	14.41	17.38	17.70
Fluid grade milk Dol. per cwt.	14.43	17.38	17.80
Manufacturing grade milk Dol. per cwt.	13.04	16.50	16.72
INDEX NUMBERS for:			
Prices received by farmers for dairy products (1990-92 = 100) Index	113	137	139
Prices paid by farmers for commodities and services, interest taxes, and wage rates (1990-92=100) Index	117	114	114
PARITY PRICE for all milk Dol. per cwt.	29.50	29.10	29.10
PARITY EQUIVALENT price for manufacturing grade milk Dol. per cwt.	26.79	26.45	26.45
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>4/</u>	2.80	4.24	4.35

1/ Parity prices are based on data for the current month. Parity price equivalent during 1998 is 90.9% of the parity price of all milk sold to plants, compared with 90.8% in 1997. 2/ Partially revised. 3/ Preliminary. 4/ Reporting change; the feed price measure used to compute the previous data series has been discontinued. For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay.

SOURCE: "Agricultural Prices," Pr 1 (12/98), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

NOVEMBER 1998 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 87.3 million pounds in November, 2.1 percent below November 1997 but 4.9 percent above October 1998. **AMERICAN TYPE CHEESE** production totaled 267.6 million pounds, 7.7 percent above November 1997 and 5.1 percent above October 1998. **TOTAL CHEESE** output (excluding cottage cheese) was 632.4 million pounds, 6.4 percent above November 1997 and 1.8 percent above October 1998. **NONFAT DRY MILK** production, for human food, totaled 69.4 million pounds, 7.7 percent below November 1997 and 0.9 percent below October 1998. **DRY WHEY** production, for human food, was 83.1 million pounds, 0.9 percent above November 1997 and 0.7 percent above October 1998. **ICE CREAM** (hard) production totaled 51.9 million gallons, 4.1 percent below November 1997 and 20.0 percent below October 1998.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	NOV 1998	PERCENT CHANGE FROM:			PRODUCT	NOV 1998	PERCENT CHANGE FROM:		
	1,000 LBS.	NOV 1997	OCT 1998	YEAR TO DATE <u>1/</u>		1,000 LBS.	NOV 1997	OCT 1998	YEAR TO DATE <u>1/</u>
BUTTER	87,277	-2.1	4.9	-8.9	DRY BUTTERMILK	3,713	7.5	7.7	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	114,375	5.1	-17.4	---
AMERICAN TYPES <u>2/</u>	* 267,642	7.7	5.1	---	CONDENSED WHEY, SOLIDS CONTENT <u>8/</u>				
CHEDDAR	213,364	10.0	4.1	-0.9	SWEET-TYPE, HUMAN FOOD	4,216	-35.8	-24.6	---
SWISS	16,491	3.7	-3.8	---	SWEET-TYPE, ANIMAL FEED	1,213	-32.2	-7.3	---
BRICK & MUENSTER	8,523	2.1	-6.4	---	DRY WHEY PRODUCTS				
CREAM & NEUFCHATEL	60,349	-1.5	-4.6	---	DRY WHEY, HUMAN FOOD	83,077	0.9	0.7	---
BLUE	3,576	-22.1	-20.8	---	DRY WHEY, ANIMAL FEED	7,088	101.6	0.6	---
HISPANIC	6,534	24.9	0.3	---	REDUCED LACTOSE AND MINERALS				
MOZZARELLA	203,543	11.9	2.1	4.6	HUMAN FOOD	6,484	46.3	13.4	---
OTHER ITALIAN TYPES	55,508	-3.7	0.4	0.5	ANIMAL FEED	2,474	5.8	-9.8	---
TOTAL ITALIAN TYPES	259,051	8.1	1.7	3.7	LACTOSE, HUMAN FOOD & ANIMAL FEED	37,793	23.6	4.4	---
ALL OTHER TYPES <u>3/</u>	10,234	-7.3	-10.1	---	WHEY PROTEIN CONCENTRATE				
TOTAL	632,400	6.4	1.8	1.7	HUMAN FOOD	20,396	11.2	-3.4	---
COTTAGE CHEESE, CURD <u>4/</u>	35,950	3.4	-5.7	---	ANIMAL FEED	3,500	13.2	5.0	---
COTTAGE CHEESE, CREAMED <u>5/</u>	28,234	2.6	-6.1	1.2	FROZEN PRODUCTS		1,000 GALLONS	PERCENT CHANGE FROM:	
COTTAGE CHEESE, LOWFAT <u>6/</u>	27,807	4.3	-5.7	2.5	ICE CREAM (HARD)	51,881	-4.1	-20.0	0.7
CANNED EVAPORATED & CONDENSED					ICE CREAM, LOWFAT (HARD)	6,645	-4.9	-16.4	---
WHOLE MILK	47,421	-16.2	8.2	---	ICE CREAM, LOWFAT (SOFT)	15,467	-6.2	-13.4	---
DRY WHOLE MILK	12,084	44.3	-13.0	---	ICE CREAM, LOWFAT (TOTAL)	22,112	-5.8	-14.3	-3.9
NONFAT DRY MILK, HUMAN FOOD	<u>7/</u> 69,410	-7.7	-0.9	-8.9	SHERBET (HARD)	3,050	3.2	-11.8	-0.8
DRY SKIM MILK, ANIMAL FEED	272	-23.8	-3.5	---	YOGURT	6,100	18.4	-13.0	-5.9

MANUFACTURERS' STOCKS, END OF MONTH <u>9/</u>							
PRODUCT	NOV 1998	PERCENT OF:		PRODUCT	NOV 1998	PERCENT OF:	
	1,000 LBS.	NOV 1997	OCT 1998		1,000 LBS.	NOV 1997	OCT 1998
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	32,608	21.2	1.0	HUMAN FOOD	13,436	53.9	4.7
DRY WHEY, ANIMAL FEED	4,500	89.7	-8.1	ANIMAL FEED	2,632	107.6	84.2
REDUCED LACTOSE & MINERALS--HUMAN & ANIMAL <u>10/</u>	10,445	12.9	0.5	CANNED EVAPORATED & CONDENSED WHOLE MILK	42,080	45.7	-15.8
LACTOSE, HUMAN FOOD & ANIMAL FEED	28,385	46.4	6.5	DRY WHOLE MILK	6,072	53.0	19.5
DRY BUTTERMILK, TOTAL	3,350	4.5	20.4	NONFAT DRY MILK FOR HUMAN FOOD	43,728	-56.5	-4.6
				DRY SKIM MILK FOR ANIMAL FEED	1,022	5.4	-15.3

1/ 1998 cumulative as percent change of 1997 cumulative. 2/ Whole milk cheese, including Cheddar, colby, washed curd, stirred curd, monterey and jack. 3/ Does not include part skim cheese beginning January 1996 or Hispanic cheese beginning June 1996. 4/ Mostly used for processing into creamed or lowfat cottage cheese. 5/ Fat content 4 percent or more. 6/ Fat content less than 4 percent. 7/ Includes combined Minnesota and Wisconsin production of 1,584,000 lbs. 8/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 9/ Stocks held by manufacturers at all points and in transit. 10/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations. *Includes combined Minnesota and Wisconsin production of 120,305,000 lbs.

SOURCE: "Dairy Products," Da 2-6 (1-99), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS

FOR THE PERIOD OF JANUARY 1 - 8, 1999				CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD	
PURCHASES	ADJUSTMENTS	PURCHASES	10/01/98	LAST YEAR	12/31/98	LAST YEAR	
<u>BUTTER</u>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL</u>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>CHEESE</u>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL</u>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>NONFAT DRY MILK</u>							
Nonfortified	-0-	-0-	-0-	103,384	10,356,460	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL</u>	-0-	-0-	-0-	103,384	10,356,460	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF JANUARY 1 - 8, 1999 =	0.0	0.0	COMPARABLE WEEK IN 1998 =	0.6	29.2
CUMULATIVE SINCE OCTOBER 1, 1998 =	0.0	1.2	CUMULATIVE SAME PERIOD LAST YEAR =	2.3	120.5
CUMULATIVE JANUARY 1 - 8, 1999 =	0.0	0.0	COMPARABLE CALENDAR YEAR 1998 =	0.6	29.2

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/98 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL									
REGION	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0	0.0
WEST	-0-	-0-	-0-	-0-	103,384	10,246,285	100.0	98.9	
EAST	-0-	-0-	-0-	-0-	-0-	110,175	0.0	1.1	
<u>TOTAL</u>	-0-	-0-	-0-	-0-	103,384	10,356,460	100.0	100.0	

SELLBACK TO THE TRADE NONFAT DRY MILK (POUNDS) MILK EQUIVALENT - MILKFAT BASIS* - MILLION POUNDS

CUMULATIVE SINCE 10/1/98

13,806,896

3.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1999MANUFACTURING MILK: Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80DOLLARS PER POUNDBUTTER: Bulk \$.6500; 1# Prints \$.6800CHEESE: 40 & 60# Blocks \$1.1000; 500# Barrels \$1.0700;
Process American 5# \$1.1525; Process American 2# \$1.1925NONFAT DRY MILK: Nonfortified \$1.0100; Fortified \$1.0200; Instant \$1.1675USDA ANNOUNCES 1999 SUPPORT PRICES FOR MILK AND MILK PRODUCTS

WASHINGTON, January 4, 1999 -- The U. S. Department of Agriculture announced today that the support price for milk will be \$9.90 per hundredweight (cwt) during calendar year 1999, effective January 1, 1999.

This is a reduction of \$0.15 per cwt from the current support level, and is required by the 1996 Farm Bill. That legislation authorizes the Milk Price Support Program through December 31, 1999, at the following support price levels: \$10.35 per cwt during calendar year 1996, \$10.20 during calendar year 1997, \$10.05 during calendar year 1998, and \$9.90 per cwt during calendar year 1999.

This announced price is for milk with an annual average milkfat content of 3.67 percent. In order to carry out the new support level, USDA will decrease the price it pays for nonfat dry milk by 1.8 cents per pound to \$1.0100 and decrease the price for block Cheddar and barrel cheese by 1.5 cents per pound to \$1.1000 and \$1.0700 per pound, respectively. The purchase price for butter will remain at \$0.6500 per pound. The support price adjusted to a milkfat content of 3.5 percent by use of the Federal Milk Marketing Order butterfat differential formula is \$9.80 per cwt.

The Secretary will review the purchase prices for nonfat dry milk and butter later in 1999, and is authorized to adjust them if necessary. There are currently no uncommitted inventories of butter, nonfat dry milk, or cheese. Further terms and conditions for purchases of dairy products will be contained in subsequent announcements. Dairy Products produced before January 1, 1999 and offered by January 15, 1999 are eligible for the higher 1998 support prices. Further information can be found on the Internet at: <http://www.fsa.usda.gov>